Exhibit 1

Company Name: Fiat Chrysler	Market Cap: 18,585.89	Bloomberg Estimates - EPS
Company Ticker: FCAU US	Current PX: 12.09	Current Quarter: 0.512
Date: 2017-07-27	YTD Change($): +2.97	Current Year: 2.080
Event Description: Q2 2017 Earnings Call	YTD Change(%): +32.566	Bloomberg Estimates - Sales
		Current Quarter: 27510.000
		Current Year: 115217.885

Q2 2017 Earnings Call

Company Participants

- Joseph Veltri
- Richard Keith Palmer
- Sergio Marchionne

Other Participants

- George Galliers
- Adam Michael Jonas
- John Murphy
- Philippe Jean Houchois
- Richard Hilgert
- Brian A. Johnson
- Michael Tyndall
- Patrick Hummel
- Max Warburton
- Stephen M. Reitman
- Rod Lache

MANAGEMENT DISCUSSION SECTION

Operator

Good afternoon or good morning, ladies and gentlemen, and welcome to today's Fiat Chrysler Automobiles' 2017 Second Quarter and First Half Year Results Webcast and Conference Call. For your information, today's conference is being recorded.

At this time, I would like to turn the conference over to Mr. Joe Veltri, Head of FCA Global Investor Relations. Mr. Veltri, please go ahead, sir.

Joseph Veltri

Thank you, Claudia, and welcome to everyone who's joining us. Our call today will be hosted by the Group's Chief Executive Officers; Sergio Marchionne; and Richard Palmer, our Chief Financial Officer.

The presentation material for today along with the related press release have been posted under the Investors section of our Group website. After the presentation, we will hold our customary question-and-answer session.

Before we begin, I would just like to point out that any forward-looking statements that might be made during today's call are subject to the risks and uncertainties mentioned in the Safe Harbor statement, which is on page two of today's presentation and that the call will be governed by this language.

With that, I'm going to turn the call over to Richard.

Richard Keith Palmer

Thank you, Joe. Good afternoon and good morning to everybody. I will start on page 3 with the highlights of the quarter. We had record Q1 results. And we've posted now another set of very strong numbers for Q2, with a record adjusted EBIT of €1.9 billion and margins up 90 basis points to 6.7%. Adjusted net profit of €1.1 billion, up over 50% year-over-year.

All our operating segments showed margin improvements year-over-year. And in particular, NAFTA posted an 8.4% margin, which is a record for that region. And Maserati showed again double-digit margins for the fourth quarter (sic) [fourth consecutive quarter] (02:11) at 14.2%, doubling them compared to last year.

Our cash generation from operations show a reduction on net industrial debt of €0.9 billion to €4.2 billion. And we continue to slim down our balance sheet in the quarter, with gross debt reduced through the pay down of €1.4 billion of debt as of cash on hand.

And so overall, I think, it was a strong quarter with the progress we've made in the first half of the year, we are confirming our full year guidance.

We move to page 4. We see some continued news on the product front. In Latin America, we are launching now the all-new hatchback the Argo, which was unveiled in May, in Brazil. It's built at our Betim plant and replaces the Punto and Bravo models. It's also powered by a new small gas engine called the Firefly.

In Maserati, we revealed the restyled GT and GC products, which also include a new infotainment system, a system which is something that customers have been asking for. And these two vehicles will be available from Q3. And in Asia-Pacific, we showed a concept PHEV SUV for Jeep, a three-row vehicle, which is conceived is being designed specifically for the Chinese market.

Moving to page 5, we have the summary of the financial performance. Combined shipments were down slightly to 1.225 million units. With NAFTA down 90,000 units, offset by increases in LATAM, APAC, EMEA and Maserati. Consolidated shipments were down 37,000 units, showing the improvement in our joint venture operations, particularly in China.

Net revenues were flat at €27.9 billion, down 2% at constant exchange, in line with the shipments number. And our adjusted EBIT was up 15%, at €1.9 billion, with a record margin, as I mentioned before, at 6.7% and both year-over-year and quarter-over-quarter, margin improvements in all segments.

Adjusted net profit was €1.1 billion, up 52%, driven by the strong operating performance and also by reduced financial charges. Our net profit was €1.15 billion, compared to €321 million in Q2 of last year due to lower net special items, which I'll talk about in a second.

Our net industrial debt was reduced by €900 million due to strong cash flows from operations, net of CapEx investments. And our available liquidity was at €20 billion, net of the planned gross debt repayments of €1.4 billion that I mentioned earlier.

Couple of words about a couple of items we posted in the quarter regarding Latin America. Following the recent court decisions in Brazil, we reversed a liability for indirect taxes for €895 million. We also booked the corresponding decrease in our deferred tax assets for €281 million related to the same transaction. And this was posted as an unusual item, which is excluded from our adjusted net profit.

And in addition, due to the continued political uncertainty in Brazil and a slower pace of economic recovery, we are anticipating, as a result of this, we wrote off €450 million of deferred tax assets related to Brazil and also this item was excluded from adjusted net profit.

Moving on to page 6. We show the composition of the improvement in our adjusted EBIT, which was up 15% or €239 million. NAFTA margins were a record 8.4%, as strong mix and industrial cost performance offset reduced volumes due to the transition to our new Compass and the move of the Cherokee vehicle from Toledo North to Belvidere.

NAFTA represented 72% of our Group adjusted EBIT, down from 84% last time as all the other segments improved their overall performance.

Latin America improved with volumes from new Compass and improvements in Argentina. EMEA margins were up 80 basis points to 3.3% and Maserati margins more than doubled to 14.3%.

On the bottom of this chart, by operational driver, you can see that positive mix continues to drive a lot of our margin improvements across the regions and accounted for about €400 million with positive impacts in NAFTA, Maserati, EMEA and LATAM.

Net price impacted by NAFTA year-over-year, although positive compared to Q1 sequentially and by EMEA, both regions included negative impacts due to exchange for the Canadian dollar and the British pound respectively. Our industrial costs showed significant efficiencies in NAFTA and EMEA with reduced warranty costs and purchasing savings.

Moving to page 7, we see our net industrial debt performance, which was reduced in the quarter by €900 million, thanks to improved EBITDA and positive working capital. Financial charges and taxes were flat year-over-year due to the timing of tax payments in the U.S., offsetting reduced interest charges.

Compared to prior year, cash flow was €1 billion lower, due principally to lower working capital impacts due to lower shipments in NAFTA, which was driven by the move of the Cherokee from TNAP to Belvidere with a reduction of over 30,000 units in the quarter. This was the main reason for working capital being less positive than last year by €800 million.

Also in terms of changes in provisions, dealer stocks were – in the U.S. were reduced by 70,000 units, which accounts for the negative impact on change in provisions of around €350 million compared to prior year. These negative impacts on working capital will largely reverse in Q3 as Q3 NAFTA shipments increase with the ramp up of the new Compass continuing and the Cherokee ramping up in Belvidere as the transfer from Toledo North is completed.

So the working capital negative seasonal impact in Q3, which you are used to seeing as a result of principally of EMEA, will be significantly lower at the Group level because of a positive impact in NAFTA.

Just to make sure this is clear, in summary, in 2016, we had both Toluca and SHAP plants down in Q1 and coming back up in Q2 due to product changes and to management of the supply demand for the 200 in SHAP. Whereas this year, we had reduced production in Belvedere and Toluca in Q2 and those two plants will be back up to full production in Q3. So this has changed our working capital profile and as a result, we would expect Q3 cash flow performance to be significantly better than last year, which was negative €1 billion.

If we move on to page 8, we see the performance in NAFTA. Q2 SAAR for U.S. was down from Q1 to 17 million, but the retail SAAR was flat at 13.8 million units. And Canadian SAAR was constant to 2.1 million units. U.S. sales for FCA were down 30,000 units, driven by 20,000-reduction in fleet sales, which were reduced from 24% to 21% of our total U.S. sales.

The main nameplate driving the reduction was the discontinued Dart and 200 and the transition from the old Compass Patriot to the new Compass. The Jeep brand continues to reduce fleet sales in the U.S. to focus on improving residual values and margins and particularly for the Cherokee and for the new Compass.

U.S. dealer inventories were down from 75 days to 71 days and our shipments were down 90,000 units as I mentioned earlier, which is 14% primarily due to the transition to the all-new Compass and the move of the Cherokee. Net revenues were down 10% at constant exchange with lower shipments, partially offset by favorable vehicle mix.

So if we look at the walk across on EBIT underneath, you can see the improvement in margins from 7.9% to 8.4%, a large improvement in mix offsetting the impact of 90,000 of reduced volumes.

Year-over-year, our pricing was slightly negative by €84 million, which is substantially 50% due to Canadian dollar weakness and the rest due to incentives in U.S. retail. But as you can see underneath, on a sequential basis, our pricing

was positive €73 million compared to Q1.

Industrial costs were positive €207 million, driven by strong purchasing savings, warranty reductions, some supplier recoveries, offsetting product cost increases and launch costs. And we also have highlighted in the others that last year we had a one-off residual value adjustment, unusually high in Q2 of last year due to some changes in methodologies related to ALG that improved our residuals and we wanted to identify that given that it was an unusual item in the prior period.

We move on to page 9, looking at Latin America. The Argentina market continues to be strong, was up 24% year-over-year. The Brazilian market was also up year-over-year but was boosted by energy efficiency requirements that need to be met by the end of September of this year and are likely creating some demand pull ahead. Our sales were up 15,000 units, driven by new Compass, up 12,000 units and the Toro pickup, up 5,000 units. Our market share in the Latin America region was 12.6%, slightly up versus prior year.

Inventories were down to 33 days and reflect continued disciplined approach to supply and demand. Our shipments, as I mentioned, were up 18% and revenues were up 24% at constant exchange, reflecting positive mix of Compass and Toro.

And if we look at the EBIT walk underneath, you can see that we went from a breakeven number last year to €60 million this time around, with a large contribution of positive mix due to the new vehicles I mentioned earlier. Price was substantially flat. Our cost – product costs impacted by about 5% year-over-year inflation. But overall mix driving a significant improvement versus the prior year – prior quarter.

Moving to page 10, Asia Pacific, the industry was up 5%, with China up 4% as it normalized following the negative number in Q1, driven by the demand pull forward at the end of 2016 due to tax changes on the vehicles under 1.6 liter. Combined sales for the Group were up 30%, with joint venture sales up 75%. And Jeep sales were up 62,000 – were 62,000 units, up from 40,000 last year.

Our inventories came down as our sales – inventory days came down as our sales rate improved. And also we have lower imported vehicle stock. Shipments were up 44% overall on a combined basis, driven by the joint venture and also by the start of the launch of the Alfa Romeo Giulia and Stelvio.

If we look at the walk across underneath in terms of margin, you can see a positive vehicle mix, offset by some negative exchange for renminbi and Aussie dollar year-over-year and some launch costs for the Alfa Romeo vehicles as we launched both Giulia and Stelvio, offset by improved China joint venture results.

In EMEA, on page 11, passenger car industry was up 1%, with stronger growth in Italy, up 6%, and Spain also up 6%, while France and Germany were flat. And the UK was down 5%. The LCV industry was up 5% with all major markets up, except for the UK.

Our sales were up 6% in the quarter and our share both in passenger car and LCV was up 20 basis points. Higher sales were driven by the Fiat Tipo family and the new Alfa Romeos. And we saw passenger cars share up 40 basis points, driven by increases in Germany, France and Spain.

Inventories were up slightly to 62 days to support the new model launches. Our shipments were up 7% year-over-year, driven by the vehicles I mentioned earlier.

And if we look at the walk across underneath for our adjusted EBIT, you can see that margins improved from 2.5% to 3.3%, driven by positive mix, volume and industrial cost efficiencies, offsetting some negative exchange on the British pound and higher incentives in some of our key markets.

Maserati, on page 12, had another strong quarter. Sales were up over 50%, shipments up 90%. Total revenue – net revenues were up 85%. And we had a fourfold increase in our adjusted EBIT to €152 million, with the 14.2% margin I mentioned earlier.

Most of the increase in both sales and shipments is driven by the all-new Levante, which is more than offsetting some level of decline in our other vehicles as we move towards new model years in both the Ghibli and the Quattroporte. Volumes and margins improved versus Q1 also due to the market seasonality. We expect Q3 will be more moderate as we go through the summer production shutdown. And then Q4 will show positive seasonality particularly due to the [indiscernible] (18:08).

Moving to page 13, the Components businesses continue to see sequential improvements in both margins and revenues, driven by Marelli and by Comau. Both Marelli and Comau continue to show large portions of their business non-captive, with Marelli at 65% and Comau at 72%.

Moving to the industry outlook on page 14. We don't have any significant changes to our outlook. We show a modest reduction in U.S. SAAR to 17.2 million for the year from our previous 17.5 million to reflect second quarter SAAR, which was at that level. We increased slightly the Canadian SAAR to 2 million for the year.

Moving to our guidance on page 15, as I said earlier, we're confirming our full year guidance following a strong first half performance. We are basically halfway to our targets on adjusted EBIT and more than halfway on adjusted net income. The second half will benefit from higher volumes of Giulia and Stelvio and Cherokee and new Compass as those vehicles ramp up in Q3 as I mentioned earlier. And we expect, therefore, a stronger cash performance seasonally than we have had in Q3 in the past.

So with that I will hand over to Joe Veltri. Thank you very much.

Joseph Veltri

Thank you, Richard. With that I'm going to turn the call back over to Claudia and we'll start our question-and-answer session. Claudia, go ahead please.

Q&A

Operator

Thank you very much, sir. [Operator Instructions] We will now take our first question from George Galliers from Evercore ISI. Please go ahead, sir.

<Q - George Galliers>: Hi. Good afternoon. Three questions from me if possible. The first one is very short-term in nature. Can you just remind us where we are in terms of the rollout of the new Compass and its overall availability in the U.S. market?

<A - Richard Keith Palmer>: Well, we've been – we started production in Q2. And basically we're ramping up production and we should be running at a pretty full level at Q3.

<A - Sergio Marchionne>: Yeah. It will be available in dealers by the end of Q3, full [ph] disclosure (21:10).

<Q - George Galliers>: Great. And then the second one was looking at 2018 and your target there, given the kind of recent move in the euro against the U.S. dollar, can you give any indication of what your euro, U.S. dollar assumption was when you gave this 2018 target?

<A - Sergio Marchionne>: It was not materially different from where we are today. Probably slightly lower but I don't think it's material enough. If it stays at these levels, it's not materially enough to change the forecast.

<Q - George Galliers>: Great. And then the third question I had was just when we look at the improvement you're seeing at Maserati, as I think about the end of next year, I guess, Maserati and Alfa Romeo combined could look like a 250,000-unit per annum company, with around €12 billion of revenue, €1 billion of EBIT, a margin in excess of 8%. That sounds like a pretty healthy and respectable standalone OEM and one which could attract a good multiple, given

the growth profile it will have seen. Are there any platform or powertrain constraints, which could make a separation of those two as a unit unviable?

<A - Sergio Marchionne>: I'm going to answer your question by answering the last portion of what you said, which is that there are no restrictions – there are no structural, industrial or engineering restrictions for the separation of Alfa and Maserati. That means nothing. Because it does – that's not an acknowledgement of the fact that either it can be done or would be done.

There's a statement, which, I think, is still in the press release about the fact that we have – or in the analyst deck about the fact that we're holding an Investors Day in the first half of 2018. And I realize that there's been a relatively large amount of excitement out there caused by initiatives both on this autonomous driving front, on the electrification, on this whole notion of separation of businesses.

And I think that given the fact that we're bringing to conclusion a five-year plan and so far, to the best of my knowledge, we're on track to achieve its objectives and all its elements, including net debt by the end of next year.

We thought it was – that it was proper that we sort of update the market again on what we consider to be the next five years of FCA 2014 – sorry, 2018 to 2022. And we intend doing that within the first semester of 2018, notwithstanding the fact that I will not be here when that cycle continues.

The reason why we're doing this is because although we are now – we started doing this at the end of 2016, we're doing it today, we're doing it next year, we're not committing capital that we will – that will not see any economic results until well after the completion of the 2018 plan. And I think it seems sort of improper that we keep on committing capital and reveal these numbers on a quarterly basis without giving an indication of what it is that we're working on.

I'll give you a couple of broad sort of indications of where we are today in terms of the delineation of the post 2018 FCA. The first one and I've mentioned this in passing and other occasions about the fact that there's nothing that will prevent an OEM from engaging in the type of development work that Tesla has done so far. We have been – as you well know, we have been reluctant to embrace that avenue until we saw a clear – a path forward. I think we're now in a position to acknowledge at least one of our brands and in particular Maserati will, when it completes the development of its next two models effectively switch all of its portfolio to electrification.

And as these products come up for renewal post 2019, it will start launching vehicles, which are all electric and which will embody, I think, what we consider to be state-of-the-art technology. It's an integral part of the development of the Group and I think it's an integral part of a broader strategy on electrification, which will see more than half of its fleet – by the time we hit the conclusion of the plan in 2022, it will see more than half of its fleet incorporated in electrification.

Some of that money has been spent already, some of it will be spent within 2017 and 2018 and some of it will be spent as we launch products in the 2019 to 2022 timeframe. I think it is important that we reserve judgment on what you suggested as being a possible avenue. Until we hear that story in the first half of next year, the only thing I can tell you for sure is that when we look at the portfolio of activities that FCA carries out, there are things, which are associated with automotive but are fundamentally non-OEM activities.

And when we have looked at the development of the sector over the last two or three years, we have come to the conclusion that the differences in valuation between what we currently achieve as an OEM and some of the activities they carryout including Marelli, no longer justify aggregation. And I think that when we speak to you next year in the first half after having discussed this with the board at some length, it is my view that we will show you a much clearer portfolio of OEM activities by the end of 2018, and I think that forms an integral part of the plan going out to 2022.

But other than that, I will not speak about anything else and I will – really will not discuss anything else in terms of disaggregation of activities within the Group. There are some things, which have been inside the Group for a number of years, and which we have worked on now in terms of profitability over the last two or three in a very intensive way, and which in all likelihood required us to see the light of day on their own merits and away from something which appears to be not as loved by the markets as traditional OEMs. So we need to reserve all this until the first half of 2018.

<Q - George Galliers>: Great. Well, I look forward to then. Thank you.

Operator

We will now take our next question from Adam Jonas from Morgan Stanley. Please go ahead.

<Q - Adam Michael Jonas>: Well, my first question was going to be where is Sergio? And no offense, Richard, you did a great job there, but I guess, we know you're there.

<A - Richard Keith Palmer>: That was Sergio. That was Sergio.

<A - Sergio Marchionne>: Richard was doing a very good imitation though.

<Q - Adam Michael Jonas>: Yeah. The guppies are snapping, the teeth are sharp. So can you provide any update on that Chrysler Pacifica, Waymo partnership in terms of anything like numbers of cars, milestones, miles traveled, new cities, anything at all?

<A - Sergio Marchionne>: No, because I think a lot of it depends on the development path and we are just resuming discussion with them, obviously, we provided them with the number of vehicles. I think they're interested in getting some more and we are working on that deal, but we have not seen the next phase of – or at least Waymo has not announced its next phase, and I think we need to wait until they move first.

But I think the collaboration continues quite strong. I am encouraged by what I see but I think this is an incredibly fluid world as you well know.

<Q - Adam Michael Jonas>: Right.

<A - Sergio Marchionne>: I think the number of people that make advances and I think we need to be ready to collaborate with as many people as we can find.

<Q - Adam Michael Jonas>: But, Sergio, those 100 cars, the 100 Pacificas are, I guess, ramping to 600, [ph] tell me (29:11) if I'm wrong, presumably those cars have over-the-air update firmware capability. Am I mistaken?

<A - Sergio Marchionne>: I think they do. And if I'm wrong I will – we will rectify. But I think they do.

<Q - Adam Michael Jonas>: Okay. All right. Yeah, we love to confirm that. All right. Just one last one on Jeep. Can you bridge – I mean, I'm using round numbers here deliberately, but you're going to do around 1.5 million units this year, you're targeting over 2 million next year. Can you refresh us on where you see the bridge of that roughly 500,000 unit gap in volumes from one year to the next either geographically or by model line? Thanks everybody.

<A - Sergio Marchionne>: There are two fundamental reasons for the bridge to 2018 and 2 million. And is fundamentally the rollout of the Compass on a global scale. We have now launched the Compass out of India. I think we're shipping – we started shipping today. We're going full blast with the Compass in the U.S. now out of Toluca, China is ramping up.

And the second non-inconsequential piece of this is the fact that the Cherokee is going to have a facelift or substantial intervention in the beginning of 2018 in an environment, which has a higher capacity than it used to have up in Toledo.

And in addition to this, obviously, we're launching the Wrangler. The Wrangler is coming on stream in November of this year. This is a big piece of the portfolio. When you add up all the shifts between 2016 and 2018, those three products are – by themselves account for nearly 100% of the shift in volumes.

<Q - Adam Michael Jonas>: Thanks. I reckon those Wrangler margins are – could give a 12-cylinder Ferrari a run for the money but different discussion.

<A - Sergio Marchionne>: Different discussion.

<Q - Adam Michael Jonas>: Thanks, everybody.

Operator

We will now take our next question from John Murphy from Bank of America Merrill Lynch. Please go ahead.

<Q - John Murphy>: Good morning. I just wanted to follow up actually on the product launches being the Wrangler and Ram, which are really on the near term horizon here in North America. I mean it does sound like Wrangler, as you said, in Toledo North is coming online in November. I'm just curious as we think about that product in its early years of being launched in this generation, will it be as profitable as the outgoing product? Because the outgoing product's been around for a while, so I got to imagine it's extremely profitable.

<A - Sergio Marchionne>: But the expectation is yes.

<Q - John Murphy>: Okay. And then also on the Ram, what is the timing of the launches of Ram next year because that's obviously a big ticket item as well?

<A - Sergio Marchionne>: Detroit Auto Show 2018.

<Q - John Murphy>: And NSOP?

<A - Sergio Marchionne>: It's just about then, Q1 of 2018.

<Q - John Murphy>: Okay. And then if we look at page 10, it looks like in China your mix was positive €30 million – €39 million which is great. But I'm just curious, I mean, if we look at Jeep, and correct me if I'm wrong, you talked about shipping or delivering 62,000 Jeeps, up from 40,000 last year, so that's 22,000 positive on Jeep. I would imagine the mix from that kind of surge in Jeep volume would give you a much better mix in volume benefit, is there something else going on there in China?

<A - Richard Keith Palmer>: Well, frankly, John, a lot of the Jeep [ph] book (32:37) you're talking about is in the JV. And so really you're seeing that improvement come through the JV results, not through the consolidated volumes. And, obviously, given we're in launch phase, some of that improvement in mix is being offset by the commercial costs as we launch the product. But you'll start to see more of that coming through the JV results as we ramp up production locally.

<Q - John Murphy>: And are most of those Renegades at this point, so we're looking for 5,000 to 10,000 variable margins as opposed to the big ones you'd expect over time?

<A - Richard Keith Palmer>: The Renegades encompasses.

<Q - John Murphy>: Okay. So the lower end. Okay. And then just as we think about the U.S. market potentially weakening, obviously it's already started to deteriorate, I'm just curious as you will think about the levers you can pull to respond to potentially more market pressures from the top down on volume, internally but also very specifically you've cited some cost saves from purchasing, which is, obviously, I think working with your suppliers and potentially even with your dealers, as you look at your business partners, if the market deteriorates, what kind of work and actions and potential price downs can you effect there with those partners?

<A - Sergio Marchionne>: Well, I mean, if the market deteriorates, the market will come down from these peaks. It is not a single [ph] downturn (33:59), and we've seen indications of the market softening in the first half of 2017 and I think you will see softer market conditions.

You've seen and you've heard from the other two competitors in Detroit about the fact that that is going on, now you've seen how they reacted. The fundamental difference between us and most of the other people is that we have not built inventory into the pipeline. We've been incredibly disciplined and it's something that we continue to do in managing our position with the U.S. dealers.

We have no intention of building excessive inventory that will ultimately translate into pricing pressures. We have shown, I think, a willingness to take that capacity if the market is not there, I think we will continue to do so.

I actually think that because of all the investments that we've made in rejuvenating both the pickup and the SUV segments in which we compete that we are in the enviable position now presenting some relatively new products in the next six to nine months that will allow FCA to stay in the forefront of consumers' minds. I do not think and that's why I think we're confirming guidance for 2017 and reconfirming guidance for 2018.

We had never built a plan on the assumption that 2016 volumes will continue at infinitum. We've always built in a level of conservatism in those expectations and I think that as long as we don't see really bizarre aberrations in volumes drops of 3 million or 4 million SAARs a year in a period in the next 18 months, I think that we will be fine. But I think that we will do all the things that we are – we're not the only one doing this. I mean, we'll show discipline in the manufacturing side. I think we'll show discipline on the cost side and we'll try and make – and write it out.

But if anybody believe that we can live in the 17.5 million, 18 million SAARs world forever, I think they were smoking illegal material. I mean everybody knew that this market was going to come down and so we have made the right strategic choices in terms of exiting the passenger car market. We're now left with the majority of our productive assets being concentrated on pickups and SUVs. And I think that's what the market is and I think that we'll play to our strengths. I think we'll just write it out, but I think we're, today, probably in the most enviable position of all U.S. automakers. It took us a while to get here, but I think it's time for us to reap the benefits of that effort.

<Q - John Murphy>: Okay. And then lastly, Sergio, I mean, we're all going to hate to see you go but based on what you're saying, you have less than a year left at the company, obviously, there's a lot of speculation about who your successor might be, but is there any line of sight of who you're going to be passing the baton off to sometime in 2018?

<A - Sergio Marchionne>: Well, as I understand it, we're going to pass off in the early part of 2019 so that – the timeline doesn't change much, it's a year-and-a-half. I won't be here for the 2019 calendar year. But obviously, this issue about succession has been a big issue inside our house because we knew that it was coming. I mean it was inevitable.

So we've been working on sort of feeding the succession pool for quite a number of quarters if not years. And we have, I think, developed a suitable stable people who are both willing and I don't understand why, but who, I think, are both willing and in some cases capable of carrying on from where I leave off. So I'm not worried about succession. I think it's going to be good.

I worked with these turkeys now for – these friends now for a long, long period of time a lot of them. And if you look at the stability of our management team, certainly since 2004, we've had very few corrections. And if I go back to the 2009 Chrysler contingent, I think we've lost none. And so I'm confident that we'll find the guy. Obviously, we know who these people are. I think it will be very, very bad practice to start speculating openly about who these people are. We have made the right investments in them to try and give him the right exposure and give him the right sort of spectrum of responsibilities to ensure that he can do this going forward.

I do – there's one caveat. I think there is – because of my background and the way in which I got here, I think the management structure that I've used to try and manage this business is very, very peculiar in a lot of ways to me in the way I run businesses. It may be that that structure needs to be tweaked to allow the successor to function well and it's certainly within his or her realm of responsibilities.

But the fact that we're having an Investors Day before I step down, is an indication of the level of cohesion that exists in management group because that view that will be pitched in 2018 will be the collective view of this management team, which has been responsible for everything they've been able to accomplish and so forth. So I'm – we're in good shape. We're in a good place.

<Q - John Murphy>: Great. Thank you very much.

Operator

We will now take our next question from Philippe Houchois from Jefferies. Please go ahead.

<Q - Philippe Jean Houchois>: Yes, good. Good afternoon. Thanks for the call. Two questions. First one I just wanted to check that I understood correctly what Richard said earlier. Because you're going to resume production in a more normal way in the third quarter, we should expect an element of counter seasonality in the working capital and a better inflow. Is that the right way to understand what you said or did I miss?

<A - Sergio Marchionne>: Yes.

<Q - Philippe Jean Houchois>: Yes.

<A - Sergio Marchionne>: And, as usual, Richard is being cautious because he is not thinking in determination as to whether the inflow out of the North America will be bigger than the outflow out of those seasonal shutdown in Europe.

<Q - Philippe Jean Houchois>: Yes.

<A - Sergio Marchionne>: But he did say that it's going to be better than Q3 of 2016.

<Q - Philippe Jean Houchois>: Yeah. That makes sense but is certainly counter seasonal. The other question maybe for you, Mr. Marchionne, there is a lot of talk, excitement around spinning off et cetera and you've contributed to that over the years certainly. My question is that -

<A - Sergio Marchionne>: I've only – by the way, Philippe, I've only contributed by doing it.

<Q - Philippe Jean Houchois>: Absolutely. It was just – but you've become more credible because you've done it. In other words, we can talk about it endlessly and almost like it never happened in some cases. But my point is in any kind of spin-off, there's a good side and there's a, let's say, lesser good side that's left behind. And what I hear some of the speculation on the Street on what could happen, the wonderful things happen in FCA in the future. To what extent do you take into account the viability of what's left behind? Because you do have an unusual collection of brands that are more or less successful and so we can speculate about what you can do. At the same time you've got to make sure that there's a viability in what's left behind.

<A - Sergio Marchionne>: No, I wholeheartedly agree and that's why I've been incredibly reluctant, other than acknowledging the possibility of doing things I've never made a commitment to doing any of the spin-offs that have been referred to, because we do need to worry about the stump that's left behind. I mean there is a piece of business that needs to be looked after, which is relatively large and if we start picking away all the things that appear to be interesting to people, then I think we're going to end up with a suboptimal business that cannot run.

<Q - Philippe Jean Houchois>: Yeah.

<A - Sergio Marchionne>: So, let's wait until the first half of 2018. I think, by the way, just to close your argument on spin-offs, I don't think that that story, at least, vis-à-vis FCA is over. Because as I said in my remarks about the Investors Day pitch in 2018, one of the things that we need to come to grips with is whether all the activities that are currently within the FCA world are required to run a proper OEM. And if the answer is not, then I think we have an obligation to purify that portfolio. And if they're viable enough and large enough and sufficiently capable of carrying on their activities is to give them a space in the sun on their own merits.

Because from a valuation standpoint, I can tell you honestly, I've been in this business long enough, I have never seen an industry which is as little loved as being an OEM today. For a period of time I thought that banking had reached the bottom but I think we have now surpassed them in terms of dislike.

So I sit back and I think we – it doesn't matter how hard we work. I mean, I've seen numbers come out of our competitors over the last three or four days. And to be perfectly honest, I think I keep on scratching my head about the sort of the valuation metrics that we're using to try and peg a value for this sector.

This has got nothing to do with FCA. It's got to do with a very broad discussion. And so in order to be fair to our shareholders, we need to make sure that we deliver as much value out of this venture as we can. And one of which, one of the options is to assure that we can purify the OEM. And if we have to live in this OEM world and its valuation, let's make sure that we live purely in that sector and we don't leave other sectors involved in this, which deserve better treatment than we're getting out of FCA.

So let's work through this. We got less than 12 months to get this done. When we get together in the first half of 2018, hopefully our thoughts will be clearer and we'll be able to point out additional ways in which we can release values to our shareholders.

<Q - Philippe Jean Houchois>: Yeah. All right. If I can squeeze one last different question that the – if I look at the past few days or weeks or months, but we've seen quite an acceleration I would say in the profitability of small premium car makers. I mean, clearly, Ferrari is one. We had Porsche bring 20% margin today. Aston Martin is about to be profitable and Maserati at 16%. Is this the new normal or is this kind of the last fireworks before things normalize.

<A - Sergio Marchionne>: I'm going to give you an answer, I'm not sure that it's an answer to the full question that you asked. And maybe we'll have to address that question when we get together in the first half of 2018.

Let me carve out Ferrari from all this because – and I had this view right throughout my tenure at FCA, I've confirmed it now. Ferrari lives and breathes in a different type of atmosphere. And so for it – and there is not – with all due respect to the other alleged contenders to that market, there's nobody else who lives and breathes the same air. We're dealing with a completely different concept, level of exclusivity, which is unparalleled, and intimacy with the customer base, which is also unmatched. And it's a way of life, which I think takes you 70 – I mean we're celebrating 70 years for Ferrari this year. It will take you 70 years to try and emulate it.

So let's take Ferrari out of this thing...

<Q - Philippe Jean Houchois>: Yeah. Okay.

<A - Sergio Marchionne>: ...and talk about everybody else and if we want to include Maserati. It is possible, in my view, when I look at it structurally, that a company like Maserati could survive on its own, and it can. It's doubtful in my mind that it will make a lot of sense given the challenges that we're all going to experience collectively, both in terms of autonomous driving, electrification, that that expenditure can be carried out by a standalone entity like Maserati and do it successfully and be relevant in the marketplace.

There's too much stuff going on. Had things not moved on technologically as fast as they have in the last five or six years, I would have probably had a more benign view. I think today based on what I know, I will be reluctant to engage in that discussion. I may be wrong and I think we need to have the full discussion at management level and with the board, but it is unlikely. It seems to me that at least in the next little while that you'll see this type of disaggregation of activities away from OEMs.

By the way, if you look at companies like Aston Martin, which I – for which I have a huge amount of respect, the real question about Aston is not about its timing and its positioning as an automaker. It is what is the technical offering that Aston Martin has going forward. Can it do it on its own, does it need a partner to get it done? These are questions that are relevant. And I've had this conversation with Andrea Bonomi over at Aston Martin. I think that we recognize the magnitude of the task.

Ferrari, on the other hand, is a self-sufficient, probably in my view, one of the most technologically advanced manufacturers of a car in the world. It has knowledge which is old, it's deep and wide. And that knowledge is something that you don't acquire overnight. And I think it gives it the legitimacy to make the statement that it makes today. I'm not sure that that's common to everybody else.

But I think we should wait until the first half of 2018. I may be dead wrong, Philippe. I – we may come back and surprise you. I just don't know.

<Q - Philippe Jean Houchois>: Okay.

<A - Sergio Marchionne>: Right now my gut says no.

<Q - Philippe Jean Houchois>: Yeah. Thank you.

Operator

We will now take our next question from Richard Hilgert from Morningstar. Please go ahead.

<Q - Richard Hilgert>: Thanks, good morning, everyone. Great quarter. Richard, in your final comments there, you were talking about the third quarter cash flow being stronger than seasonally is typical. Fourth quarter is also usually a strong quarter seasonally because of working capital. Are you expecting those same kind of dynamics to play out for the fourth quarter this year?

<A - Richard Keith Palmer>: Yes, Richard.

<Q - Richard Hilgert>: Okay. And then the revenue that we've had so far this year, we're up about €1 billion in the first quarter, we're up maybe about €100 million or a little less in the second quarter, but at €15 million on – €15 billion on the low end, we're €4 billion ahead in 2017.

And I think, Sergio, you talked a little bit about some of the volume increases that we'll be seeing coming from Compass, Grand Cherokee, Wrangler to get you to the 2018 revenue target. But what about 2017 to get to that €115 billion low end, €120 billion high end, what are some of the drivers that we can expect to see in the second half that's going to get us over that hump?

<A - Richard Keith Palmer>: Well, the things we mentioned, like the Compass ramping up from Toluca and also the Compass in India. The Cherokee ramping up in Belvidere and the Alfas, the Giulia and the Stelvio, continuing to launch worldwide. So those are the three main reasons why second half revenues will be higher than first half.

<Q - Richard Hilgert>: So it sounds like this is – it's going to be more weighted towards the fourth quarter than it is the third quarter in terms of how much we actually see incremental revenues coming on stream.

<A - Richard Keith Palmer>: I think Q3 will also be strong because of Compass and Cherokee and NAFTA.

<Q - Richard Hilgert>: Okay.

<A - Richard Keith Palmer>: So it's not – we're not waiting for Q4 for this number to come to fruiting.

<A - Sergio Marchionne>: Yeah. Richard, I think we're going to – we're expecting to see two decent quarters between Q3 and Q4, simply because of the way in which things are stacked up on the production side.

<Q - Richard Hilgert>: Okay. And then is it just those three, the globalization particularly of Compass, but stronger volumes of Grand Cherokee, stronger volumes of Wrangler globally that take us to that €136 billion in revenue for 2018? Or are there some other products in there, the Stelvio from Alfa Romeo, are there some other products in there that are getting us to that big ramp of an additional €16 billion from 2017 to 2018?

<A - Richard Keith Palmer>: Well. we also have – and as we've talked about before, Richard, in the re-alignment of our manufacturing capacity in the U.S., we have more capacity for the new Wrangler and we have more capacity for the new truck in the plants we're going to. So I think those will be significant contributors. And we also have more capacity for the new Cherokee in Belvidere, which has the [ph] MCA (50:44) launching in 2018.

<Q - Richard Hilgert>: Okay. Very good. Thanks. Thanks again for taking my questions.

Operator

We will now take our next question from Mr. Brian Johnson from Barclays. Please go ahead.

<Q - Brian A. Johnson>: Yes. Good morning, good afternoon. I have a question, probably, more for Sergio but maybe Richard as well, similar to what I actually asked the other automaker and didn't get an answer, which is, can you take your roughly €8.8 billion of CapEx and give us a sense of how you think about the return on the incremental investment in those buckets? What are the major buckets? What are the high-return investments? What are the must-to-invest with lower returns? And then in kind of connection with looking ahead to the 2018 session, how do you see that evolving?

<A - Sergio Marchionne>: Let me give you sort of a broad answer to the question. I'm going to give it to you in declining degrees of pain, right?

<Q - Brian A. Johnson>: Yeah.

<A - Sergio Marchionne>: So the most painful thing that we commit money to is anything which is what I broadly call compliance-related and which has to do with the development of powertrain and the mix of combustion and electrification. And the reason why I find it painful is because, one, the costs are relatively high. So the question of aggregation is spreading them across a variety of platforms and nameplates becomes crucial, but it is painful. And we don't know – we still have an experience for long enough the ability to recover those costs in the marketplace, right. There's a lot of technology that's coming on stream, we don't know.

The second thing, which is, perhaps, even more painful is when you compare our regional commitments and the ability to make money is when you start looking at margin generation in other places, like EMEA for example, which has gone a long, long way in the last four, five years in terms of restoring it, it is very difficult for us to justify some of the bucks that are being committed to those jurisdictions in the absence of what globalization strategy such as Jeep or Alfa or Maserati that will allow us to effectively leverage that industrial footprint for a much greater years.

The one that I find least painful is any dollar at all that we place in the development of Ram and Jeep on a global scale. Those are the things that I find, certainly in terms of returns on investment, are the ones that have historically proven to be the most rewarding. And also on a forward basis they show a great degree of – regardless of the size of the commitment that we're making, even in an uncertain U.S. market conditions, show us significant returns on capital.

So that's broadly speaking where we are. We spend a lot of time and I can tell you the majority of our time – a Group Executive Council is really committed to the understanding of the deployment of capital or the reconciliation of the size of those commitments in view of brand strength in terms of globalization opportunities. And it do – they do take – we just finished a two-day session on the weekend dealing with a bunch – I'm not sure that we spent a lot but certainly we rejected more than we approved.

But there is a huge amount of consciousness at Group level about the fact that this is really a matter of life and death for us. If we get that wrong then we will not – we'll not be able to survive in the long-term. So there is value. But I'll try to give you some – I know that Richard has got a different backing order. Yeah, Alfa Maserati for sure, in the long-term Alfa Maserati. When you see margins like the 14.2% out of Maserati, you understand that a machine running at cycle can give you those returns and if it does then by definition it will do well, right.

And the other ones, the Jeep story is not necessarily a premium story, it has to do with globalization and reach and the strength of the brand. So...

<Q - Brian A. Johnson>: So, I guess, two follow-on questions because what you've described that might call conglomerate multi-industry capital management circa at 1980s. Take money – don't give money to dog businesses, no offense to our canine friends, and put money in strong well-positioned business [ph] exit (55:15), et cetera.

<A - Sergio Marchionne>: This sounds like Jack Welch, isn't he?

<Q - Brian A. Johnson>: Yeah, yeah. I think that's a well-tried pass. I guess, two questions kind of for this environment. One, any further progress in terms of whether it's not necessarily consolidating into big level but consolidating with other OEMs, certain high-cost functions like powertrain? And then second where do the more speculative investments in next gen mobility, you've certainly seen competitors over the quarters put money into

various autonomous efforts in mobility and ride-sharing efforts fit into that capital allocation discussion?

<A - Sergio Marchionne>: I'm going to give you an answer to the last one. I am incredibly reluctant to engage in what you just described as speculative investments. I think it's incredibly dangerous.

I mean, we have spent enough time in Silicon Valley. We met enough people now to realize that they raise a phenomenal amount of activity down there. There are a number of people who are willing to fund that – that are willing to fund the capital requirements of a number of start-ups.

And I – to be perfectly honest as bright and as conscientious as some of our people are, we are at a loss at trying to determine who's going to win that game. And so we remain very vigilant. We remain committed to working with established suppliers who are – and we have now entered the space and you will hopefully hear between now and certainly the time that we launch the plan, our – sort of our involvement in these activities, which we have been very quiet about.

I don't think – as long as I'm here, I don't think you're going to see us making a speculative investment down in Silicon Valley. I think it's crazy because I just don't know what the returns are or the timeframe for getting that done. But having said this, I think we will be there.

The broader question that you've asked, which has to do with consolidation or at least the sharing of knowledge, that is a very thorny issue. If you see in the last allegations that have been made against German OEMs, and I was amused, there was an article that showed up in Breakingviews that almost appeared to support the collusion argument on an intellectual basis because it brings down the cost of execution.

[ph] But for (57:49) anybody who is interested in the economic theory that is true of all cartels. The question is – there is a question as to whether they reap up normal benefits for the benefit of the participants or whether they spread the benefits of that cartel for the users of the products that you manufacture.

But on the assumption, in an economic argument that says, in an economic world that says, you're – the economic world that says these things are done for efficiency reasons that by all means I think we should do a number of things together with a bunch of other people to try and get it done.

And I've even seen Volkswagen's declarations this morning trying to defend their position, their involvement by saying that they – the information sharing is healthy. It is. I agree. The question is, at what point in time do they become destructive forces in an economic market? And those are the things that I'm much more reluctant to engage. I know one way in which we can get to that solution and I pitched that story back in 2015. And by the way, when we pitched the [ph] capital Jacky (58:50) story, none of that discussion, the question of aggregation precluded the ultimate disintegration of the OEM world in very powerful high-margin businesses that could have survived on their own and then a much more difficult OEM world, where yet to fight on the sharing of resources in a much keener way. It makes as much sense by the way to run particular premium OEMs on an aggregated business it does for the mass market. Those arguments don't distinguish one from the other.

<Q - Brian A. Johnson>: Right.

<A - Sergio Marchionne>: And so my real problem in answering your question is given the legal and political environment that we're now living through, the likelihood of us finding a group of other OEMs that will be able to aggregate into this cost sharing agreement is relatively small. And the best conduit to that ideal world is still the supplier base. It is easier for us to get the suppliers and get them to act as the conduit and to have direct relationships with other OEMs to try and bring down the cost of execution.

<Q - Brian A. Johnson>: Is there a way to push more of the powertrain investment out to the supplier base or create new powertrain companies that work across OEMs?

<A - Sergio Marchionne>: Yes. And that is exactly one of the reasons why – if I go back to what I said originally about the 2018 plan, the 2018 to 2022, when I look at my structure underneath this and I say what doesn't belong here? What doesn't belong to FCA? Anything which has got value beyond the OEM, so all of our Components business,

everybody who supplies to that base needs to stay away from me because I'm almost radioactive, right. So they have a much better chance of being able to act as the conduit to higher margins and better capital utilization than I can.

<Q - Brian A. Johnson>: Okay. Look forward to it.

<A - Sergio Marchionne>: It's an interesting discussion and I think we'll be able to flesh it out in a more intelligent way in the first half of 2018.

<Q - Brian A. Johnson>: Good look forward.

Operator

We will now take our next question from Michael Tyndall from Citigroup. Please go ahead.

<Q - Michael Tyndall>: Yeah, hi there, it's Mike Tyndall from Citigroup. Just one question if I may. Mr. Marchionne, on the first quarter call, you mentioned about the whole diesel issue. And if I quote you said you invite the national bodies to let this thing go. It doesn't feel like that's happening. But then again we're only seeing it from the outside. What is happening on your side of things in terms of the relationship with the authorities in terms of diesel emissions under the old standards? Are we getting to a point where we can draw a line under this or is this still as the media would have it, this appetite for a pound of flesh out of the automakers.? Thanks.

<A - Sergio Marchionne>: I don't want to answer your question because this desire to get a pound of flesh out of OEM sounds like a victim story. I'm not sure that I play victim well. But let me – a lot of things have happened since Q1 of this year. And so I think that you've seen a buildup of additional anxiety around diesel, especially out of Europe, which, I think, is making the future of diesel, at least in Europe, much more suspect than I would have told you in April 2017.

I think we need to see how this thing shakes out with the German authorities in terms of what comes out of this investigation that's going on. I think we need to see more out of this collective effort to Daimler and the rest of the German OEMs are making to try and preserve the validity of diesel as a technology solution to the automotive industry. I don't know enough. My gut tells me that whatever happens out of all of this that we're going to see diesel come out of this in a much weaker state than it was on the way in.

Having said this, this is technology argument. The relationship with the authorities, I've always had the view and I continue to repeat this that given what has happened here, that the only thing that could have rationally happened out of Europe is for the European governments to really come to an understanding of the facts as they had happened effectively. Agree a way forward, try and correct as much of what was correctable given the alleged deviations and then move it on. Because all of this has been incredibly, from a reputational standpoint, has been a disaster for most OEMs, including ourselves in some cases and it's made our life a lot more uncertain because as long as you keep on maintaining the sort of emission standards that we've got in place for 2020 and post 2020, diesel played an integral part of the solution to the extent that it's in doubt now, there are no easy path to try and get there. So we need to find a solution.

I think I've read a lot of the studies of this as speculated about the quantum of the cost that is going to be associated with compliance which is immense. And this is unhealthy for us because I think it provides a high level of insecurity in terms of technology development within the OEMs and I think that needs to be put to death, so I re-invite the European Commission to the extent that I have any right or basis to do so but I think it will be very helpful if the European Commission and the member states effectively came out with a final solution, that is to put the issue to bed. This sort of bleeding, killing somebody, death by a thousand cuts is not a good thing. And we're killing it a piece at a time, I think we need to stop.

The U.S. experience is somewhat different, right, and to be perfectly honest, I was hopeful that today I will be able at least to show that we have made some progress towards resolving this sort of EPA and CARB issue that we have on the 3-liter diesel, I think we've gone a long way since we spoke the last time, I continue to be confident that we will find a

proper resolution with the authorities and then that will – and I'm a lot more hopeful that the U.S. having established this – a solution to this and putting it behind us, they will be able to look at this in a much more constructive way.

It's also the nature in which, I think, Americans deals with – deal with issue, I'm relatively comfortable that we can get the U.S. position rectified in relatively short order. I wish I was that hopeful about the European side, it isn't. And it's not an FCA issue, I think it's something that's impacting everybody. And I would actually invite the political order in Switzerland – sorry, in Europe to come to grips through this. It's not under control.

<Q - Michael Tyndall>: Okay. Thank you.

Operator

We will now take our next question from Patrick Hummel from UBS. Please go ahead.

<Q - Patrick Hummel>: Yes, good afternoon, good morning. Sergio, one question for you related to the diesel issue in Europe. We've seen those voluntary software upgrades of your German competitors that were announced over the last few days. Are you planning to do anything similar? Is there a feasible software solution that you could, relatively easily, at low cost, implement into the cars that are already on the road? Or are you waiting, as you just indicated, for a final word from the European Commission on the entire matter before you would do any action?

<A - Sergio Marchionne>: No, but Patrick, I think that the answer is that we did a voluntary update of the software in the first part of 2016, it was done on a voluntary basis without being required by anybody to do it. I think it's an indication of the type of attitude that we have towards this process. We are looking at this if we can do it and provide an improvement in air quality both on CO2 and NOx purely as a result of calibration and we'll do this.

The important thing is that within the scheme of things that existed at the time, in which we launched these vehicles, we were in compliances. If there is a way to improve that position, we will more than gladly do it. So we're working at this. We have not been asked to join this sort of German group of people who are trying to better the world but I think we'll do it on our own merits.

<Q - Patrick Hummel>: Okay. Thank you. My second question is relating to the Alfa Stelvio, and the new Jeep Compass in terms of the order situation and the markets where it's already on sale, and also the pricing and profitability level. You rightly emphasized, Richard, that this is a rapidly growing segment, but it's also a very competitive one. And I would just be curious in terms of your expectations on pricing and margins, whether what you see so far is meeting your expectations or maybe even exceeding it?

<A - Richard Keith Palmer>: No, I think we're positioning Alfa against the premium brands. And I think that's the type of pricing that we expect to obtain. So far we've been successful. Obviously, the launch of the Stelvio is in progress now, 30 days. But I think the reception of both the brand and the vehicle would indicate that we should be able to execute at those levels.

On the Jeep side, Compass, reception has been extremely strong in Brazil. We're leading the SUV segments down there with Renegade and Compass. The reception in the U.S., we expect to be similarly strong. I think for a number of years we've had Patriot and Compass in those segments with the vehicles that were a little out of date in terms of technical content and we've upgraded significantly with the new Compass.

And so I think it will help both us to be more competitive in that segment and also to manage the price steps more logically between Renegade, the Compass, the Cherokee. So I think we transact at very good price levels in the U.S. with the Jeep brand. I don't see any reason why Compass to be different. Obviously, Compass in Europe is in the heart of the segment in terms of the European market.

So we've seen very strong performance in the Renegade in Europe, but the Compass segment is much larger. And again, I think we'll be competing on the premium end with that vehicle, near premium, let's say. I think it's a brand which clearly has something to say beyond the sort of mass market, crossover vehicles that abound in those – in that market.

And then obviously we talked about China. We're launching the localized production of both Renegade and now the Compass. The reception has been very strong. Obviously it's a very competitive market also. The Jeep brand, I think, means something different to the Chinese than to the Americans or the Brazilians. And we're working very hard to ensure that we position the brand properly, both sort of from a marketing, from an emotional point of view in terms of the content and the reasons for purchase beyond just the pricing. But I think, we've seen great traction everywhere we've launched Jeep so far. And that's why we've been confident with the globalization strategy. And we'll continue to update you as we go through this process. But so far we don't have anything bad to say.

<A - Sergio Marchionne>: I'm just going to leave you with one thought. The internal discussion that we're having with our people in Jeep is that, to the extent that [ph] UV (01:11:03) market is at all relevant to the automotive space and as we have seen, it is. If there is one brand out there that has the right to claim the ability to have one out of five, 20% of that market belong to it, it's Jeep.

And I think that everything we've been doing, including the work that we've been doing on the Wagoneer and the Grand Wagoneer and the development of the Renegade, the Compass, the Cherokees, the new Grand Cherokee that's coming out, all this work, including the possibility of having five and seven seaters, all these things are designed to provide a complete coverage to the biggest growth segment in the automotive space that we have seen in the last 20 years.

So our prognostication is that this market – out of the global market is going to be roughly between 33 million and 35 million cars globally. If we're right in the estimation that Jeep needs to own 20% of that market, we're talking about over 7 million vehicles. You know what? If that's the ambition, this industry and this business, especially, has got a long, long way to go before it's saturated.

So I think we need to continue to be consistent with that objective. I think that's really – it's a very long-term view. I think it will take a number of years to get there. But I think the road is relatively clear for the brand.

<Q - Patrick Hummel>: That's a very clear view indeed. Lastly, simple yes/no question. This €2.5 billion, that – our target for year end, that's under the assumption that you don't do any asset sales between now and year end. Correct?

<A - Sergio Marchionne>: Correct.

<Q - Patrick Hummel>: Okay. Thank you.

Operator

We will now take the next question from Max Warburton from Bernstein. Please go ahead.

<Q - Max Warburton>: Hi, there. Thanks for letting me on the call. I'd like to come back to the subject of succession that was mentioned earlier and just ask a couple of questions on that. Sergio, could you clarify a bit more about what this Capital Markets event in the first half of 2018 will involve? Is it just going to be about technology and where you're investing? Or are you actually going to start talking about a longer-term financial plan? I may have misunderstood you, but I think you referenced 2022 at some point during those comments?

<A - Sergio Marchionne>: That's right. It's an 2018 to 2022 plan.

<Q - Max Warburton>: So you're going to set new financial targets but not have unveiled your successor, so basically whoever takes over from you is going to have to run with your plan.

<A - Sergio Marchionne>: No, I think that we've been very clear, Max, that my successor is coming from inside the house.

<Q - Max Warburton>: Okay. So they're involved in setting this, okay.

<A - Sergio Marchionne>: Oh, hell, yes.

<**Q - Max Warburton**>: Could – I mean in the same vein, so second part of this, can you clarify what degree of involvement you're going to have after stepping down? Are you going to be elevated to some sort of Executive Chairman?

<**A - Sergio Marchionne**>: Zero, zero.

<**Q - Max Warburton**>: But you'll still be on the board of [ph] Excel (01:13:32)?

<**A - Sergio Marchionne**>: Probably yes. But that means nothing. I think in terms of the running of FCA, once I've finished my mandate as CEO, I'm done.

<**Q - Max Warburton**>: I mean you spend a lot of time...

<**A - Sergio Marchionne**>: You and I will have to fight by email.

<**Q - Max Warburton**>: Happy to do that. But for the benefit of everyone on this call, because I think this is probably one of the big issues for the stock. I mean, we can talk about the numbers and we can talk about 2018. But the issue for the stock is the multiple more than the earnings. And the multiple in my view and I think a lot of people's view would be helped greatly if you were to continue to have some involvement with the company even from a distance.

<**A - Sergio Marchionne**>: My biggest involvement is in having provided the opportunity to a bunch of my colleagues here to develop into great leaders. And I have zero doubt in my mind that the person that will succeed me will be as capable if not more capable than I am.

And I don't say this because I'm trying to avoid sort of retaining responsibility for what's happened here. But I actually do believe that these people are great people. And by the way, the training school has been pretty ugly. I mean they've been with me for a long period of time. They lived through hell and I think that we have seen a lot of ugly stuff together.

I think they've learned in the process. And it's not because I'm trying to condition their thinking. But I think a lot of the stuff that you've seen – that we've seen them do is a reflection of the way in which they've grown. And I think I will – to be honest, I think I will be much more of an impediment if I were around, an impediment to their development like it's – I don't believe in these sort of recycled CEOs that continue to act as Chairman.

I've done it in my previous life but I was – it was done under a different set of circumstances. This one here, given the challenges that it has between 2018 and 2022, I think needs a new person. And it doesn't need to be influenced by me.

My influence will be visible on the 2018 to 2022 plan to the extent that it will have any. And once I do that, I think the rest of it, including execution and details, will be left to the successor. And it's the right thing.

<**Q - Max Warburton**>: Okay. Thank you.

Operator

We will now take our next question from Stephen Reitman from Société Générale. Please go ahead, sir.

<**Q - Stephen M. Reitman**>: Hi. Thank you very much. Good morning, good afternoon. Looking at Alfa Romeo and Maserati, first of all, could you give some idea about the production cadence you're seeing at Alfa Romeo, roughly what the volumes were like in the first half or the second quarter? And also where we are in terms of Levante? I think you mentioned that you're launching it in all markets. Where are we now in terms of utilization and capacity? Thank you.

<**A - Richard Keith Palmer**>: In terms of Alfa Romeo, we shipped just over 12,000 units in the first quarter worldwide and 22,000 in the second. And obviously we're still in the process of launching Stelvio, so a large part of those units were [ph] Giulia (01:16:54) production.

<**A - Sergio Marchionne**>: Giulia

<A - Richard Keith Palmer>: Giulia.

<A - Sergio Marchionne>: I'll give you my read of those numbers. I think Stelvio has just started launching. We started showing it to the markets here in the U.S. We're beginning to get some units on the ground now. Reception is quite good, as well as one could expect, they're probably in line with the reception that Giulia received when it was launched. It is because of the fact that the ambitions and the commitments that were made to the architectures were totally different than they were from Maserati. We're not seeing the same type of economic benefit from the launch of these two vehicles than we did from the launch of the Quattroporte and the Ghibli.

These are much larger investments that were much wider in scope in terms of technology, the engines that were launched and associated with these products. So I think it's going to take the remainder of the product line-up fill out, which will take until 2019 or 2020 initially to try and get the full benefit of Alfa onto the table. It will include one EUV, one larger EUV on top of the Stelvio, which ultimately will share something with the [ph] U (01:18:13) families of that size. So there's more work to be done. But the reaction has been superb and the brand is performing incredibly well across the markets. I mean the recognition and familiarity is quite high.

<Q - Stephen M. Reitman>: So I understand there was a figure mentioned around the first quarter of about 170,000 units of Alfa Romeo targeted for this year with a run rate of close to 200,000 units by the end of the year, which brings close to profitability or brings to breakeven. Are we on track on that?

<A - Sergio Marchionne>: Yes. For the whole Alfa range, right? That includes MiTo, Giulietta, Giulia and the Stelvio and a few 4Cs, which you will on the rounding.

<Q - Stephen M. Reitman>: So the 12,000 and the 22000 units in Q1 and Q2 relate to the Stelvio and the Giulia?

<A - Sergio Marchionne>: Yes.

<Q - Stephen M. Reitman>: Thank you.

Operator

We will now take our final question from Rod Lache from Deutsche Bank. Please go ahead.

<Q - Rod Lache>: Hi, everybody. Thanks for taking my question. So, I guess, just to touch on something you discussed earlier, you're acknowledging that there's been a shift in the market vis-à-vis electrification and you're acknowledging that the compliance-related spending is painful. Could you talk a little bit about how we should be thinking about the magnitude of what that means for R&D and capital and other costs, obviously, not for this year, but as you look beyond? And, I guess, what I'm getting at is relative to the amount of capital that you're committing today, how does that look because you're reiterating your EBIT targets? We're trying to calibrate what that means for the company's cash generation.

<A - Sergio Marchionne>: As you were talking I felt like I was on a stand here, Rod, that the fact that I'm – it's like the Spanish Inquisition. I'm repainting all my [ph] earnings (01:20:22). And I've acknowledged the fact that yes, electrification is here. Yes, and I've acknowledged that. I've just joined the rest – I've joined the rest of the crew. By the way I've always – my version to electrification was based on pure cost issues.

I think what has really made the issue absolutely mandatory now is the fate of diesel and the fact that it's actually the inclusion of, especially in Europe, of some type of electrification on gas engines is inevitable. Look, strangely enough, the issue with electrification is not the capital that's required to get into production, it is actually the impact on the variable cost of this technology as we launch it across the ranges.

That's the thing that worries me most, it's not the capital hump, I think we can get over that and to the extent that we standardize, it's actually more standardizable than most because we understand battery packs and motors and some other – some of the other paraphernalia associated with electrification. We understand them much more that we do sort

of the complexity of new combustion engines and the level of commitment that we have made historically to these.

The variable cost piece is going to be the killer. If the cost of this stuff doesn't come down quickly then I think marginal returns on every investment that we make is going to be under fire, under pressure. And so we're seeing a variety of prognostications over battery cost in terms of kilowatt – cost per kilowatt hour is, we're encouraged by the direction that they're taking. I still think that there's going to be a huge increase in prices in 2021, 2022. If effectively the electrification becomes as widespread as people expect, there has to be a shift in pricing.

And that, by the way, based on everything that I know in terms of the economics will cause a shrinkage of demand. And the problem that you run into is and we have seen this in Europe now, as we've introduced everything from Euro 0 to Euro 6 is that people keep on driving all the cars and it doesn't address the issue of emissions. So if we don't do something to allow this technology to become accessible, you will not see a rejuvenation of the car park.

<Q - Rod Lache>: So I take it you're not. Yeah, yeah. That makes sense. It's more what the industry is being forced to do versus what the consumer would prefer to do economically.

<A - Sergio Marchionne>: Yeah.

<Q - Rod Lache>: So I take it that you're not – some of the plans of your peers on electrification involve pretty broad commitments to infrastructure, charging them to make these products more appealing and also internal capital commitments for batteries and so forth. I take it that that's not the path that you're thinking about.

<A - Sergio Marchionne>: No, and by the way, to be perfectly honest, I think that now we're exaggerating at the other end, right. The minute that I start becoming a battery manufacturer, given the level of knowledge and depth of that knowledge that sits with other people in the industry what right do I have to enter that space? None.

<Q - Rod Lache>: And just lastly, based on what you're seeing on diesel, does that have any implications for the Jeep international expansion plan?

<A - Sergio Marchionne>: No not at all, because I think we will accommodate this with the combination of electrification and gas.

<Q - Rod Lache>: Okay. Great. Thank you.

<A - Sergio Marchionne>: You're very welcome.

Operator

As there are no further questions. I would now like to turn the call back to our speakers for any additional remarks.

Richard Keith Palmer

Thank you, Claudia. I think that will conclude today's call. I'd like to, again, thank everybody for joining us and have a pleasant day.

Operator

Ladies and gentlemen, this concludes the Fiat Chrysler Automobiles 2017 Second Quarter and First Half Year Results Webcast and Conference Call. Thank you all for your participation today. You may now disconnect.